

## Message Text

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17

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TO USMISSION OECD PARIS PRIORITY

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E.O. 11652 NA

TAGS: ECON, OECD

SUBJ: EDRC ANNUAL REVIEW OF AUSTRALIA

REF: OECD PARIS 4122

EDR (74)3

1. URGE ACTIVE MISSION PARTICIPATION IN AUSTRALIAN REVIEW  
TO SHOW OUR INTEREST IN AUSTRALIAN ECONOMY AND IN USING  
OECD AS MULTILATERAL FORUM TO REVIEW VARIOUS ASPECTS OF  
AUSTRALIAN ECONOMIC POLICY.

2. WE AGREE THAT MOST IMPORTANT ECONOMIC POLICY PROBLEM  
FACING GOA IS INFLATION. IT WOULD BE ESPECIALLY USEFUL  
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TO EXPLORE AUSTRALIAN VIEWS CONCERNING THE SOURCES OF

THEIR INFLATION, AS SUGGESTED IN PARA 1(C), MAIN ISSUES  
DOC. WITHOUT ENDORSING IDEA, GOA THINKING COULD BE  
EXPLORED ON POSSIBLE EXPORT CONTROLS APPLICABLE TO  
GOODS IN SHORT SUPPLY. A DISCUSSION OF THE SECRETARIAT'S  
POLICY PRESCRIPTION WOULD ALSO BE OF INTEREST. WHILE GIVING  
FEDERAL GOVERNMENT POWERS IN INCOMES POLICY FIELD MAY  
HAVE ADDED USEFUL TOOL TO GOVERNMENT'S ECONOMIC POLICY  
ARSENAL, WE ARE SKEPTICAL THAT ITS APPLICATION TO AUSTRALIA  
UNDER PRESENT CONDITIONS OF FULL EMPLOYMENT AND STRONG  
DEMAND PRESSURES WOULD HAVE BEEN VERY EFFECTIVE.

3. SECRETARIAT'S BALANCE OF PAYMENTS FORECAST IS OPEN  
TO SOME QUESTION. IT IS OUR UNDERSTANDING THAT GOA  
BELIEVES IT IS REASONABLY PROTECTED FROM IMPACT OF DECLINE  
IN DEMAND GROWTH IN MAIN TRADING PARTNER (JAPAN) BECAUSE  
OF LONG TERM SUPPLY CONTRACTS AND FACT THAT AUSTRALIA IS  
A RELATIVELY NEARBY SUPPLIER OF MAJOR MINERALS AND OTHER  
COMMODITIES. AS TO PROSPECTS FOR EARNINGS FROM WOOL, WE  
QUESTIONS WHETHER PRICE OF WOOL WILL APPRECIABLY DECLINE.  
HOWEVER, THERE MAY BE DROP IN EARNINGS DUE TO LOSS OF  
SHEEP. (FOOTNOTE (1), PAGE 22).

4. US REP SHOULD NOT RPT NOT COMMENT ON SPECIFIC  
QUESTION HOW AUSTRALIAN DOLLAR IS LINKED TO OTHER CURREN-  
CIES. MORE GENERALLY, WHILE WE RECOGNIZE EXCHANGE RATE  
POLICIES ARE MATTER FOR INTERNATIONAL CONCERN, WE  
BELIEVE IT UNDESIRABLE FOR OECD TO BE PUBLISHING RECOM-  
MENDATION REGARDING INDIVIDUAL EXCHANGE RATE POLICIES.  
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